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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31,1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 2-96334-NY

AIRSHIP INTERNATIONAL LTD.

(Exact name of registrant as specified in its charter)

New York	06-1113228
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

7380 Sand Lake Road, Suite 200
Orlando, Florida 32819
(Address of Principal Executive Offices)
(Zip Code)

(407) 351-0011
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

The number of shares outstanding of common stock, $.01 par value, as of May 11, 1992 was 20,040,754 shares.

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AIRSHIP INTERNATIONAL LTD.
BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
AIRSHIPS AND RELATED EQUIPMENT:		
Airships	$ 11,978,000	$11,978,000
Vehicles	793,000	793,000
Parts and equipment	1,846,000	1,827,000
	14,617,000	14,598,000
Less: Accumulated depreciation and amortization	2,229,000	1,982,000
	12,388,000	12,616,000
CASH AND EQUIVALENTS	349,000	1,064,000
DUE FROM TRANSCONTINENTAL AIRLINES, INC., AN AFFILIATE	1,480,000	1,356,000
PREPAID INSURANCE	603,000	956,000
DEFERRED FINANCING COSTS, LESS ACCUMULATED AMORTIZATION	293,000	289,000
OTHER ASSETS	231,000	255,000
	$ 15,344,000	$16,536,000

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:		
Accounts payable - trade	$ 568,000	$ 902,000
Accrued expenses and other liabilities	1,087,000	1,244,000
Insurance financing	467,000	904,000
Capital leases and loans payable	9,306,000	8,707,000
Loans payable to related parties	1,783,000	2,152,000
Total Liabilities	13,211,000	13,909,000
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value:		
Authorized - 10,000,000 shares, none issued		
Common stock, $.01 par value:		
Authorized - 30,000,000 shares		
Issued and outstanding -18,898,000 and 17,307,000 shares	189,000	173,000
Capital in excess of par value	15,098,000	14,698,000
Accumulated deficit	(13,154,000)	(12,244,000)
Total Stockholders' Equity	2,133,000	2,627,000
	$ 15,344,000	$16,536,000

See accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	1992	1991
AIRSHIP REVENUES	$ 1,687,000	$ 1,793,000
COSTS AND EXPENSES:		
Operating costs	1,676,000	1,401,000
Selling, general and administrative	565,000	384,000
	2,241,000	1,785,000
OPERATING INCOME (LOSS)	(554,000)	8,000
OTHER INCOME(EXPENSE):		
Interest expense	(389,000)	(409,000)
Interest, royalties and other income	33,000	61,000
	(356,000)	(348,000)
NET LOSS	$(910,000)	$(340,000)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	17,782,000	11,937,000
NET LOSS PER SHARE	$ (.05)	$ (.03)

Unaudited - See accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Accumulated Deficit
BALANCES AT DECEMBER 31, 1991	17,307,000	$173,000	$14,698,000	$(12,244,000)
THREE MONTHS ENDED MARCH 31,1992:				
Conversion of warrants into common stock	1,427,000	14,000	306,000	-
Sale of common stock to private investors	164,000	2,000 *	79,000	-
Fair value of options issued in connection with loan	-	-	15,000	-
Net Loss	-	-	-	(910,000)
BALANCES AT MARCH 31,1992	18,898,000	$ 189,000	$15,098,000	$(13,154,000)

Unaudited - see accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (910,000)	$(340,000)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization of property and equipment	247,000	210,000
Other - net	28,000	21,000
Changes in operating assets and liabilities:		
Prepaid insurance	353,000	167,000
Other assets	19,000	(38,000)
Insurance financing	(437,000)	(55,000)
Accounts payable - trade	(334,000)	(653,000)
Accrued expenses and other liabilities	(157,000)	(109,000)
Net cash flows from operating activities	(1,191,000)	(797,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of airships and related equipment	(19,000)	(201,000)
Advance to affiliate	(124,000)	-
Net cash flows from investing activities	(143,000)	(201,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of loans payable	1,000,000	1,400,000
Principal payments on capital leases and loans payable	(407,000)	(955,000)
Proceeds from issuance of convertible subordinated notes	-	67,000
Net borrowings from (payments to) related parties	(370,000)	60,000
Net proceeds from issuance of common stock	401,000	4,816,000
Certificate of deposit held in escrow	-	(28,000)
Deferred financing costs incurred	(5,000)	-
Net cash flows from financing activities	619,000	5,360,000
NET CHANGE IN CASH AND EQUIVALENTS	(715,000)	4,362,000
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	1,064,000	-
CASH AND EQUIVALENTS, END OF PERIOD	$ 349,000	$ 4,362,000
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 250,000	$ 584,000
Warrants granted for loan	$ 15,000	$ -
Conversion of debt to equity	$ -	$ 192,000

Unaudited - see accompanying notes to financial statements.

AIRSHIP INTERNATIONAL LTD.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Basis of Presentation:

The balance sheet at the end of the preceding fiscal year has been derived from the audited balance sheet and is presented for comparative purposes. All other financial statements are unaudited. In the opinion of management, all adjustments which include only normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made. The results of operations for interim periods are not necessarily indicative of the operating results for the full year.

Footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements and notes thereto for the most recent fiscal year.

Note 2 - Transactions with Related Parties:

Due from Affiliate - During the three month period ended March 31, 1992, the Company made advances of $124,000 to Transcontinental Airlines, Inc. ("Transcontinental"). Mr. Louis J. Pearlman owns 21% of Transcontinental and is the Company's Chairman of the Board, President and Principal Stockholder. The advances were made to obtain higher yields and, at March 31, 1992, totaled $1,480,000. Transcontinental subsequently pledged a $1,525,000 bank certificate of deposit due December 31, 1992 as collateral for this advance.

Loan Payable to Affiliate - A $227,000 loan from Transcontinental was repaid in February 1992.

Loans from Principal Stockholder- During the three month period ended March 31, 1992, an additional $72,000 in salaries and interest became payable to Mr. Pearlman. During the same period, $215,000 was repaid to Mr. Pearlman. As a result, at March 31, 1992 the Company owed Mr. Pearlman $1,783,000, net of $34,000 of unamortized discount.

Note 3- Loans Payable and Issuance of Warrants:

In December 1991, a stockholder and the Company entered into a line-of-credit agreement, pursuant to which the stockholder and certain others loaned the Company $1,000,000 in January and February 1992. The loans are collateralized by certain vehicles and equipment, bear interest at 12% per annum and mature on December 31, 1992. The lenders received warrants to purchase 1,100,000 shares of common stock, (550,000 issued in both December 1991 and February 1992), through December 31, 1994 at an exercise price of $.50 per share, subject to adjustment.

On May 8, 1992 the Company issued five year warrants to Mr. Pearlman to purchase 2,000,000 shares of common stock at an exercise price of $.10 per share, subject to adjustment. These warrants were issued in connection with a restructuring of the loans due to Mr. Pearlman including limiting the annual repayment amount, extending repayment through May 31, 1997 and reducing the interest rate.

On April 17, 1992 the Company issued three year warrants to Emanuel and Company ("Emanuel") to purchase 1,450,000 shares of common stock at an exercise price of $1.00 per share, subject to adjustment. The warrants were issued in connection with

the sale of 1,048,000 shares of common stock to private investors during April 1992 which was arranged by Emanuel. The investors received three year warrants to purchase 1,048,000 shares of common stock at an exercise price of $1.25 per share, subject to adjustment.

Note 4 - Common Stock:

During the three month period ended March 31, 1992, 1,427,000 shares of common stock were issued, and $320,000 was received, upon the conversion of warrants, of which 1,110,000 shares were issued to Mr. Pearlman in March 1992 for $100,000. In addition, 164,000 shares of common stock were sold to private investors for $81,000, including 30,000 shares issued to a placement agent, in lieu of a commission, for shares sold to private investors between November 1991 and February 1992.

Note 5 - Contingencies:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the annual financial statements, the Company has suffered significant net losses in 1991 and 1990 resulting in significant negative cash flows from operating activities, has significant debt repayments due in 1992 (in part due to noncompliance with the capital expenditures limitation in a loan covenant), pending litigation and other factors that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 to the annual financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In February 1992, a prospective lender (the "Lender") commenced an action against the Company and others seeking in excess of $1,000,000 in damages based on the alleged failure by the Company to provide adequate collateral and security in connection with certain alleged financing agreements with the Lender. The Company retained the Lender in July 1991, paid a commitment fee and received a commitment from the Lender who then failed to provide the funding.

The Company and the other defendants answered the complaint in February 1992 by denying all of the substantive allegations and asserting several affirmative defenses. In addition, the Company asserted certain counterclaims against the Lender and its two principals for breach of a commitment letter pursuant to which the Lender was to arrange for a $9 million loan to the Company, breach of a compromise agreement accepted by the Lender in January 1992, pursuant to which the Lender was to provide funding to the Company in the amount of $7 million, breach of an escrow agreement, pursuant to which the Lender was to return $200,000 of the commitment fee paid by the Company and various other counterclaims.

In the opinion of management and counsel, the prospective Lender's lawsuit is spurious, intended to harass and is without merit and the Company's counterclaims are meritorious. The Company intends to vigorously defend against the Lender's unfounded claims and diligently prosecute its counterclaims.

The Company is a defendant in a number of other legal proceedings which occurred in the course of business, including additional taxes and other possible claims related to Airship USA, an unaffiliated company. Those cases in which the ultimate settlement is known or estimable have been accrued in the financial statements.

It is not possible at this time to predict the outcome of the unsettled legal actions; however, in the opinion of management and informal advice of counsel, the disposition of these other lawsuits will not have a material effect on the financial statements.

MANAGEMENTS DISCUSSION AND ANALYSIS

OVERALL FINANCIAL CONDITION

The Company's total assets decreased $1,192,000 during the three months ended March 31, 1992. During the same period, total debt decreased $698,000 and equity decreased $494,000. These changes were primarily related to the net loss for the three months ended March 31, 1992 and the payment of both short term liabilities and loans, offset by receipts from the issuance of common stock and loans payable.

RESULTS OF OPERATIONS

The Company experienced a net loss of $910,000 for the three month period ended March 31, 1992 compared to a net loss of $340,000 for the same period of the prior year.

Airship revenues for the first three months of 1992 were $1,687,000, a decrease of $106,000 compared to the comparable period of 1991, primarily due to $195,000 of reduced revenues from the Metropolitan Life agreement. The reduction in such revenue was offset by revenues earned from sightseeing tour rides of $136,000. Revenues of $47,000 were earned in 1991 from maintenance services provided and not repeated in 1992.

Operating costs for the three months ended March 31, 1992 increased $275,000 from the comparable period of 1991 mainly from operation of the passenger airship ($449,000), rented warehouse facilities in Florida and North Carolina ($65,000) offset by savings in the operation of the airships for Metropolitan Life and Sea World ($239,000). These savings are primarily related to insurance, travel and crew payroll related costs.

Selling, general and administrative costs for the three months ended March 31, 1992 increased $181,000 compared to the comparable period of 1991, primarily due to salaries and related costs ($9,000), the relocation of the office to Florida ($16,000), travel and other office costs ($42,000) and professional fees ($50,000) related to increased corporate activity, consulting costs ($28,000) and costs related to the operation of the passenger airship ($36,000).

LIQUIDITY AND CAPITAL RESOURCES

During the three month period ended March 31, 1992 the liquidity of the Company benefitted from the issuance of common stock for net proceeds of $401,000 offset by the net loss and a net reduction in liabilities.

The Company issued 164,000 shares of common stock (including 30,000 as a commission) to private investors for $81,000 and received $320,000 upon the conversion of warrants into 1,427,000 shares of common stock. The Company estimates that its cash requirements for the remainder of 1992 will be met through the expected conversion of outstanding warrants into common stock or through a secondary public and/or private offering of equity securities, although there can be no assurances that such financings will be completed. During April 1992, the Company sold 1,048,000 shares of common stock to private investors for net proceeds of $1,245,000. The investors and the placement agent also received warrants to purchase common stock (see Note 3).

The operation of the passenger airship which commenced operation in September 1991 ended March 22, 1992. The airship will resume operations under the Bud One contract in mid May 1992. The losses associated with the operation of the passenger airship ($325,000 in fiscal year 1991 and $313,000 during the first quarter of 1992) will cease when the Bud One contract commences. Monthly revenues for the initial six month contract term will exceed by $100,000 the average revenues from operation of the passenger airship since commencement in 1991. In addition, the Company is receiving advance rentals which approximates the costs to convert the airship for the Bud One contract. If the Bud One contract is not terminated at the end of the initial six month period and Anheuser-Busch elects to have a night sign added to the airship, then monthly revenues would increase and the Company would be reimbursed travel costs. If a night sign is added to the airship it will be financed and subsequently paid from proceeds from its operation.

The Company continues to experience negative cash flows from operating activities and Management expects this will continue until a total of at least four airships are in service, including revenues from an anticipated Bud One Night Sign as described above. Positive cash flows from operating activities may be achieved from three airships if sufficient funds are received from the financing referred to above and used to retire outstanding debt. The Company plans to assemble two additional airships. The Company may experience negative cash flows during the construction phase of each additional airship. However, once each additional airship is completed and placed in service and certain anticipated cost savings are realized, Management expects that the Company will have a positive cash flow from operating activities.

Management believes that the balance of the proceeds of the February 1991 Offering will be sufficient to complete the assembly of and put into service a fourth airship and begin construction on a fifth. The Company is currently in discussions with several potential clients for use of these additional airships. However, there can be no assurance that any of these negotiations will be successfully concluded. The Company intends to finance the night signs from their manufacturer if any clients require them.

The Company has not had existing bank lines of credit available to provide additional working capital, and has previously received substantial financing from Mr. Pearlman in the form of loans and guarantees which supplement the funds available from the Company's operations. Mr. Pearlman has also guaranteed the Company's obligations under the lease for the Met Life airship and the loan for the Sea World airship. There can be no assurance that Mr. Pearlman will make additional cash advances or loans or give further personal guarantees if the Company requires additional capital.

PART II - OTHER INFORMATION

Item 1 - LEGAL PROCEEDINGS.

See Note 5 of Notes to Financial Statements.

Item 6 - EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits
None

(b) Reports on Form 8-K during period.
None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AIRSHIP INTERNATIONAL LTD.

Dated: May 13, 1992

By: _____
Seth M. Bobet
Vice President of Finance and
Chief Financial Officer